

City of Everett Housing Development Incentive Program Analysis

Planning Commission Briefing
February 21, 2023

Tonight's Presentation Will Cover

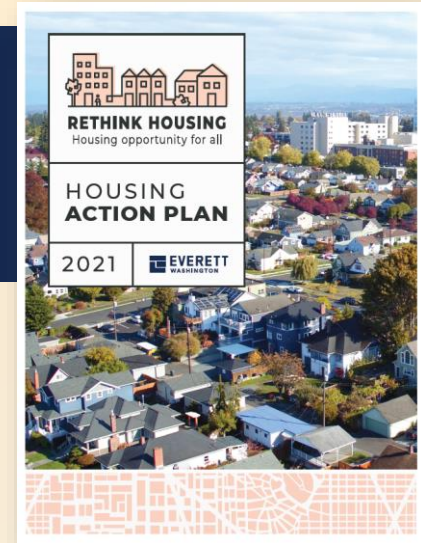
- Rethink Housing Action Plan Progress
- Purpose and Scope
- Incentive Program Performance
- Study Findings
- Implementation
- Next Steps



Housing Action Plan Progress

Increase housing variety

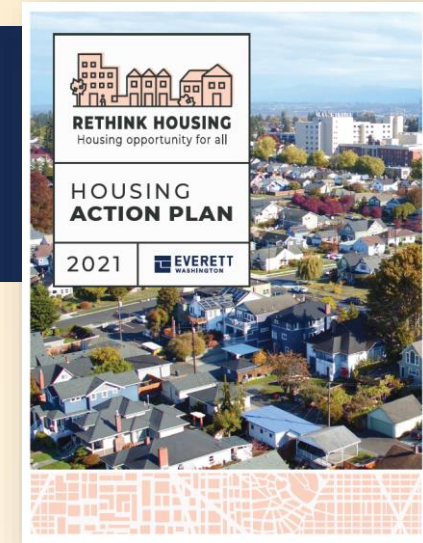
1.1: Promote ADU development through changes to regulations and processes	ADU Ord
1.2: Adjust the City's zoning code to facilitate greater housing diversity and production	Periodic update (middle housing)
1.3: Update site design requirements to reduce conflicts with infill development	Periodic update (middle housing)
1.4: Update design guidelines for new development to ensure that new infill projects align with the neighborhood	Periodic update (middle housing)
1.5: Coordinate changes to Comprehensive Plan policies to promote housing variety, reductions in development costs, and additional housing production.	Periodic update
1.6: Study opportunities for reducing parking minimums in areas where more diverse housing types are encouraged.	ADU Ord
	Periodic update (middle housing)



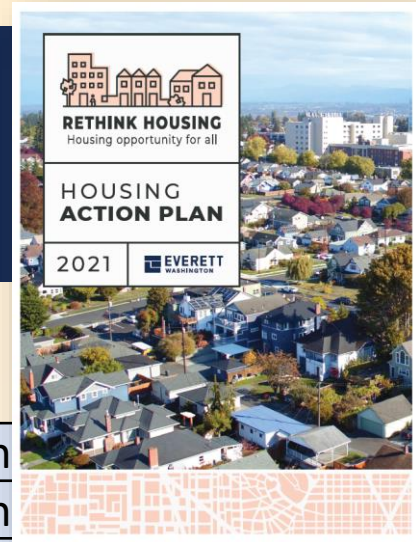
Housing Action Plan Progress

Development on Urban Corridors

2.1: Provide adjustments to development requirements in the zoning code to encourage new housing development in urban corridors	Periodic update
2.2: Provide a detailed economic study of potential incentives in urban corridors.	HDIP
2.3: Coordinate changes to Comprehensive Plan policies to promote development in urban corridors served by transit.	HDIP
2.4: Identify potential adjustments to parking requirements for development in urban corridors.	Future work
2.5: Improve non-motorized transportation options for urban corridors	Periodic update
2.6: Maintain and enhance local environmental quality and streetscapes	Park, rec, open space plan
	Periodic update



Housing Action Plan Progress



Transit-Oriented Communities

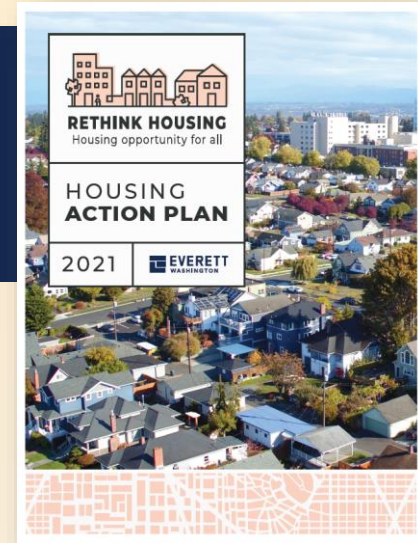
3.1: Coordinate long-term preservation of TOD sites	Periodic update (model code partnership)
3.2: Diversify housing types in transit station areas	Periodic update (model code partnership)
3.3: Streamline code requirements to facilitate TOD development	Periodic update (model code partnership)
3.4: Update design standards and guidelines to reduce conflicts with new development in TOD areas	Periodic update (model code partnership)
3.5: Provide Comprehensive Plan policies that promote coordinated TOD development in station areas.	Periodic update (model code partnership)
3.6: Study opportunities for reducing parking minimums in station areas.	Periodic update (model code partnership)
3.7: Coordinate planning for non-motorized transportation to support TOD areas	Periodic update (model code partnership)
3.8: Prioritize other public investment and management strategies to support TOD areas	Periodic update (model code partnership)
3.9: Promote affordable housing options in TOD areas.	HDIP
	Periodic update (model code partnership)



Housing Action Plan Progress

Affordability and Displacement

4.1: Institute protections for tenants to reduce displacement.	Housing work plan
4.2: Create financial assistance programs for affordable housing preservation.	Housing work plan
4.3: Coordinate direct financial assistance to tenants and homeowners.	Housing work plan
4.4: Expand fee waivers for affordable housing.	HDIP
4.5: Develop an Everett Surplus Lands Inventory and Strategy.	Housing work plan
4.6: Review and update the Multifamily Tax Exemption (MFTE) program.	HDIP
4.7: Review and update development height incentives program for affordable housing units.	HDIP
4.8: Coordinate an Alleviating Homelessness plan with community partners that addresses current and future needs of unsheltered community members and includes prevention strategies.	Housing work plan
4.9: Include specific affordable housing targets in the Everett Comprehensive Plan.	Periodic update
4.10: Develop an Everett Mobile Home Park Management Policy	Housing work plan
4.11: Promote the use of Community Land Trusts for affordable owner-occupied housing	Periodic update



Context

The Housing Development Incentive Program (HDIP) Analysis implements actions identified in the Housing Action Plan, including:

- *2.2: Provide a detailed economic study of potential incentives in urban corridors.*
- *3.9: Promote affordable housing options in transit-oriented development areas.*
- *4.4: Expand fee waivers for affordable housing.*
- *4.6: Review and update the Multifamily Property Tax Exemption Program (MFTE).*

*“The current **housing availability and affordability crisis**....in Everett continues to threaten housing stability and quality of life for the community.”*

Everett Housing Action Plan
November 2021



Purpose and Scope

Inputs to the Study

- Analyze existing and available housing incentive programs
- Provide a detailed economic study of potential incentives
- Consider approaches to create more affordable housing
- Evaluate residential displacement
- Outreach to industry, neighborhoods, and housing consultants.

Recommended Outputs

- Expand fee waivers for affordable housing
- Review and update the Multi-family Tax Exemption Program (MFTE)



INCENTIVE PROGRAM PERFORMANCE



Current Fee Waivers and Exemptions

- Since 2018, fee waivers of approximately \$1.4MM have supported the development of 355 affordable housing units.
- In 2024, 430 new affordable units will open with the support of \$1MM in Washington State Connecting Housing to Infrastructure Program (CHIP) grant funding.

Table 4.1. Summary of Approved Affordable Housing Fee Reduction and Waivers.

Year	Project Name	Number of Units	\$ Amount Waived
2018	Everett Safe Streets Supportive Housing Special Connection Charges Traffic Mitigation	65	\$352,044
	Cocoon House/Colby Avenue Youth Center Special Connection Charges	40	\$88,821
	Hope Works Station II Special Connection Charges Traffic Mitigation	65	\$381,390
	Compass Health Supportive Housing Special Connection Charges Traffic Mitigation	80	\$266,715
2021	Baker Heights Legacy Special Connection Charges Traffic Mitigation	105	\$331,202
Total 2018-2022		355 units	\$1,420,172



Multifamily Tax Exemption Program

- Since 2013, the MFTE program has generated about 230 new units per year, with approximately 29% of the units meeting the affordability levels as established in EMC 3.78.050.F.

Target Area	# of Projects	8 Year MFTE	12 Year MFTE	# of Units	# of Affordable Units
Metro Everett RTA	8	2	6	849	135
Master Planned Areas	4	2	2	767	99
Urban Corridors	4	3	1	713	430
Total	16	7	9	2,329	664



Development Height Incentives Program

- Allows additional height in exchange for a developer's contribution to public programs, like art, parks, green building, and public parking.
- The development height incentives program has never been used.

Why is it not being utilized?

- Construction costs are too high – more than 50% cost increase for 6+ stories.
- Costs and returns are not feasible for affordable housing.
- More of a public benefit program than private investment incentive.

This program will be re-evaluated as part of the periodic update to the Comprehensive Plan



STUDY FINDINGS



Update of HAP Financial Plan (Appendix G)

- Assessment included market study of multi-family development costs in Puget Sound and Snohomish County.
- The assessment is based on private multi-family projects with 50 to 150 units in the Urban Residential and Mixed Urban zones in two areas of the City.
- The updated financial model assessed current market conditions and evaluated the use of current incentives. Key findings included:
 1. Market rate housing construction and financing costs have increased
 2. The MFTE program improves the likelihood of stimulating new market and affordable housing units.
 3. Height increases and parking costs are dis-incentives for private investment.
 4. The impact fee waivers support multi-family affordable housing projects.



Review of Available Incentives



MBAKS Housing Toolkit

Local Planning Measures for Creating More Housing Choices

Prepared by Master Builders Association of King
and Snohomish Counties with input from LDC Inc.

Last Updated October 2021

- Comprehensive review of incentives being used in Washington.
- Considered Sound Transit Model Code Findings.
- Coordinated with other on-going Consultant programs
- Findings:
 - Everett is offering most legislatively available incentive programs.
 - Incentives focus on regulatory, administrative, transit-area, and affordable housing approaches.



Developer and Stakeholder Input



- Stakeholders include non-for profit, neighborhood, and private development groups.
- Input was given on many challenges including:
 - Flexibility in parking requirements
 - **Reduce permit timelines**
 - Fee simple townhome options
 - Eliminate upper floor setback for smaller projects
 - Improve walkability

Incentives for Further Consideration

Regulatory

- Study multi-unit parking requirements
- Update MFTE
- Reconsider height density bonus

Capacity near transit

- Sub-area plans and planned actions for EVLE station areas
- Implement transit node planning along urban corridors

Administrative

- Assess permit timeline reductions
- Consider pre-approved building plans for smaller multi-unit projects.

Affordability

- Consider mandatory inclusionary zoning
- Support housing benefit district legislation
- Evaluate REET2 to support affordable housing
- Reinitiate system fee waiver



Incentives for Further Analysis

- Multi-family Tax Exemption Incentive (EMC 3.78)
- Development Height Incentives Program (EMC 19.22.080)
- Affordable Housing Fee Reduction and Waiver Programs including:
 - System Connection Fees
 - EMC 19.50.065 Traffic impact fee exemption
 - EMC 19.51.145 Traffic mitigation fee exemption
 - EMC 19.512.060 School impact fee exemption
 - EMC 16.72.040 Waiver of land use application fees



Incentive Feasibility Criteria

- An existing policy framework through which the incentive can be implemented.
- The likelihood the incentive would produce housing units across all income levels.
- The cost of incentives does not adversely burden the City or the taxpayer.
- There is the availability of funding to implement and administer the incentive.



Feasibility Assessment Results

From Table ES-1 and 7-1 (pages ES-5 and 49) of the HDIP Report version 3.

Incentive by Category	Framework	Housing at all Income Levels	Cost of the Incentive	Grant Funding Availability	Recommendation
Regulatory					
Increase housing variety.	Comp Plan	Y	U	Y	Conduct further analysis during Comp Plan update process. Underway and legally required.
Conduct a study to assess residential parking requirements.	Follow up to HDIP	Y	\$100K - \$200K	N	Initiate Study as outcome of HDIP recommendations.
Update and extend the multi-family tax exemption (MFTE) programs as recommended in Section 2.0.	HDIP	Y	\$75K	Y	Bring to Planning Commission as part of HDIP Phase 2.
Reconsider the height density bonus incentive.	HDIP	Y	\$0	Y	Retain current program. Reconsider height requirements as part of Comp Plan.
Administrative					
Assess permit timeline reduction opportunities through review of administrative procedures, permits systems, and staffing levels.	Director Decision	Y	\$100K - \$200K	U	Move forward at Director discretion.
Consider pre-approved building plans for smaller multi-family projects.	Director Decision	Y	\$100K - \$200K	N	Move forward at Director discretion.

Feasibility Assessment Results

From Table ES-1 and 7-1 (pages ES-5 and 49) of the HDIP Report version 3.

Incentive by Category	Framework	Housing at all Income Levels	Cost of the Incentive	Grant Funding Availability	Recommendation
Housing Capacity near Transit					
Initiate subarea planning and planned action EIS process for Everett Link Extension (EVLE) station areas.	EVLE Program	Y	\$1.5M - \$2M	Y	Implement with Sound Transit as part of EVLE Phase 2 Planning.
Initiate subarea planning of prototype transit nodes along urban corridors.	Director Decision	Y	\$1M - \$1.5M	N	Would require City budget to be directed to node-specific planning effort.
Affordable Housing					
Consider mandatory inclusionary zoning.	Comp Plan	Low and moderate income	\$50K - \$100K	Y	Up zone areas through Comp Plan update process before considering.
Consider Housing Benefit District.	State Legislation	Y	TBD	N	Monitor new legislation and evaluate feasibility based on legislative requirements.
Consider REET2 tax dollars to support affordable housing projects for 50% to 80% AMI households.	Council Decision	Low income	Up to \$1M	Y	Council action required.
Re-initiate the fee waiver/reduction for system connection fees and establish for park impact fees.	HDIP	Low income	\$5K	Y	Bring to Planning Commission as part of HDIP Phase 2.

IMPLEMENTATION



Fee Exemptions

- Reinststate **system connection fee exemptions** for qualified affordable housing projects. (EMC [14.08.135](#))
- Implement a **park impact fee exemption** for qualified affordable housing projects. (EMC [19.53.110](#))



Multifamily Tax Exemption

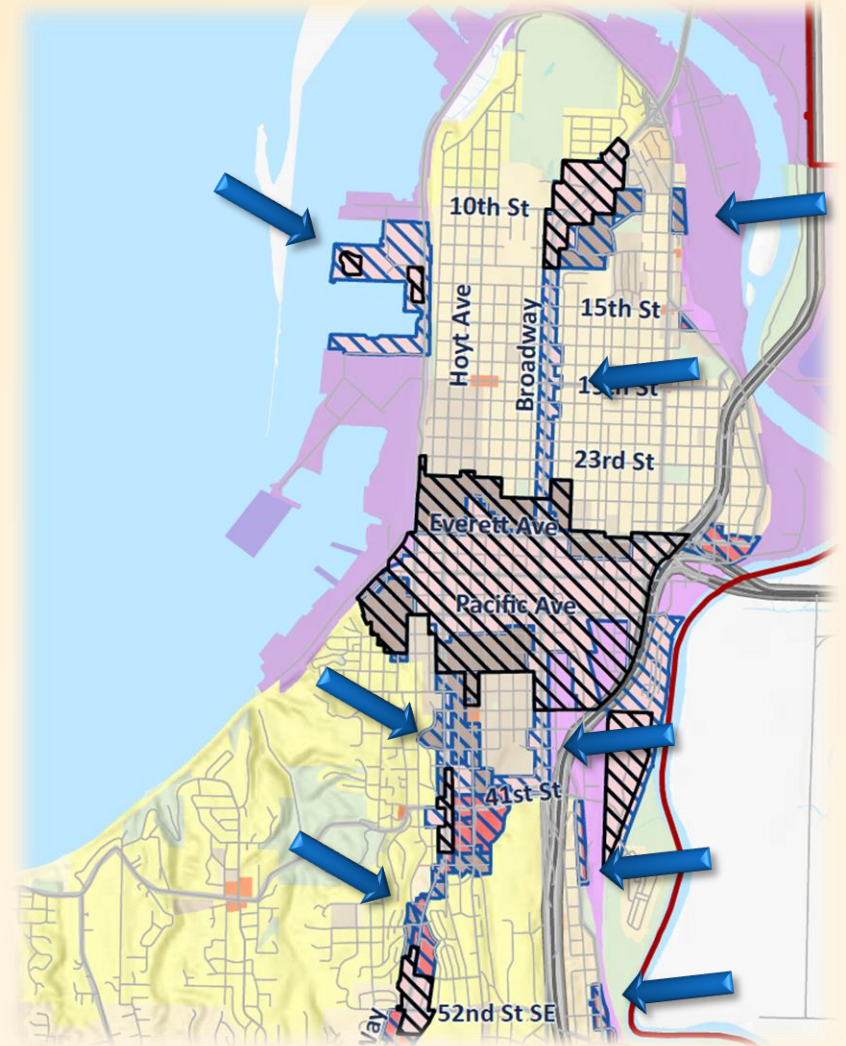
Recent State Legislation

- Provide tenant relocation assistance at end of MFTE period for tenants in rent-restricted units
- Require an evaluation of physical and economic displacement as a result of the program
- New monitoring requirements
- 20-year exemption for permanent affordable rentals and owner-occupied housing



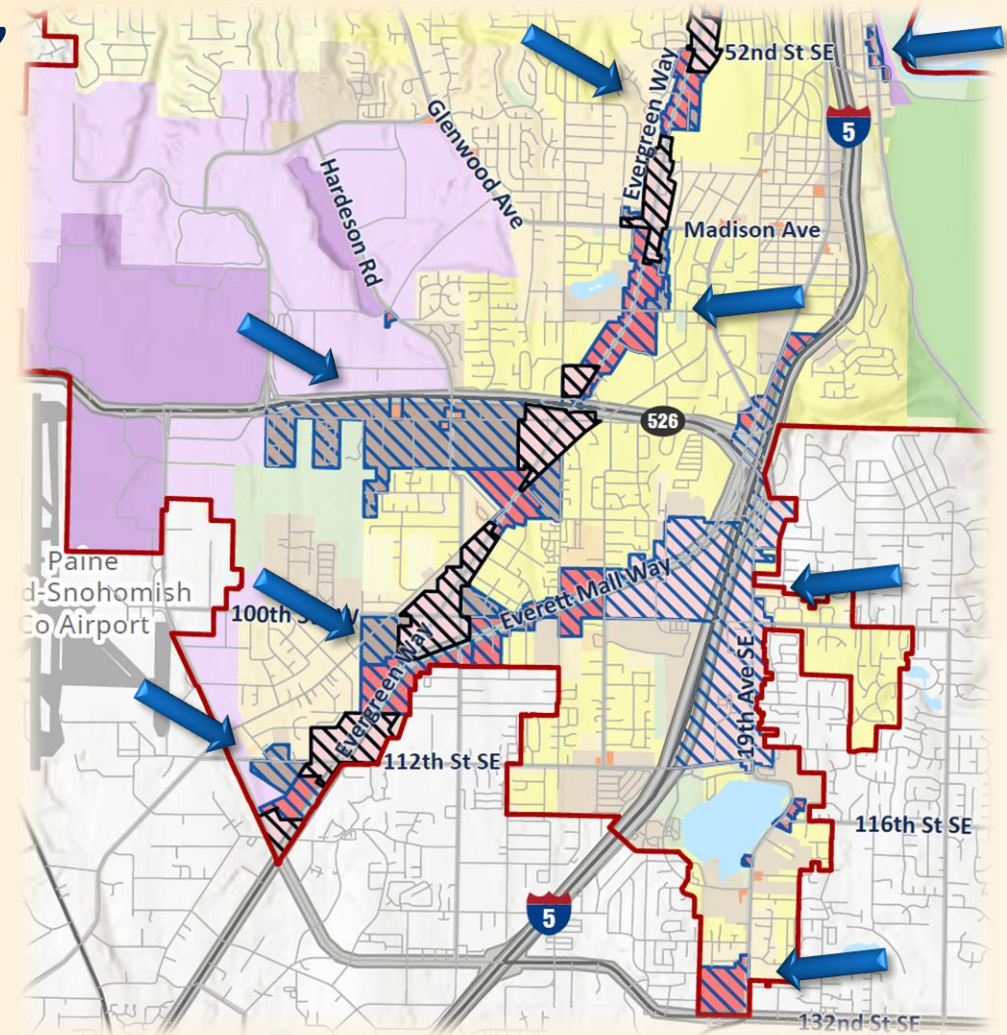
Multifamily Tax Exemption Program Updates

- Expand “Residential Targeted Areas” to all MU, B, UR-4 zones.



Multi-family Tax Exemption Updates

- Expand “Residential Targeted Areas” to all MU, B, UR-4 zones.



Multi-family Tax Exemption Updates

- Standardize affordability thresholds for all MFTE projects.
 - 60% and 80% AMI restrictions for 20% of units.
- Increase minimum multi-unit eligibility to 16 units.
- Adopt the 20-year MFTE program.
- Require displacement report and mitigation.



Effect on City Finances

Exemption Value

- Based on 2,750 exempted units, the exemption value is about \$33MM.
- It is possible to shift all or part of the exemption costs with Council action so the impact is revenue neutral to city tax receipts.

Public Benefits

- Multi-family housing stimulus as a catalyst for urban corridor development.
- The 2,750 exempted units would generate more than \$680 million of new housing equity.
- Provides new multi-unit projects across all income levels.



MFTE Considerations

- Residential Targeted Area boundaries
- 20-year exemption for affordable home ownership
- Minimum number of units in development
- Affordability thresholds
- Displacement assessment and mitigation requirement
- 8-year exemption sunset
- Other?



NEXT STEPS



Grant Funded Actions

Complete HDIP Report

- Continue to gather stakeholder input
- Final report for City Council public hearing

Benchmark New Incentive Programs

- Affordability thresholds
- Measuring, monitoring and reporting requirements

Implementation Plan and Funding

- Staff time
- Collaboration with Housing Partners



Monitoring

- MFTE Program Requires:
 - Owner must recertify income of tenants every year
 - Owners must recertify each tax-exempt property every year with the City
 - City must provide a report to Department of Commerce that includes statistics about the exemptions issued each year
 - City must audit private owners every 1 to 5 years
- City must also document MFTE program performance.



What's the Plan

- **February 21** – Planning Commission Briefing
- **March 29** – First Reading and City Council Briefing
- **April 5** – Second Reading by City Council
- **April 12** - City Council Public Hearing and Adoption



QUESTIONS?

